

Message Text

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PAGE 01 TOKYO 01794 01 OF 02 080902Z

ACTION EA-09

INFO OCT-01 EUR-12 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-08 FPC-01 H-01

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

FEA-01 /120 W

-----080915Z 092307 /17

R 080755Z FEB 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5315

INFO AMEMBASSY ABU DHABI

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY JAKARTA

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TEHRAN

AMEMBASSY LONDON

USINT BAGHDAD

USEC BRUSSELS 2008

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 1794

DEPARTMENT PLEASE PASS ERDA FOR SIEVERING

E.O. 11652: GDS

TAGS: ENRG, ETRD, JA

SUBJECT: ENERGY DEVELOPMENTS IN POST-DOHA JAPAN

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PAGE 02 TOKYO 01794 01 OF 02 080902Z

1. SUMMARY. WHAT FOLLOWS IS A BRIEF OVERVIEW OF SOME REACTIONS IN JAPAN TO THE EFFECT OF THE DOHA TWO-TIER PRICE SYSTEM, AND OF UNEASE OVER JAPAN'S ENERGY POLICY. NO ONE HERE IS WILLING TO PREDICT WHAT THE ULTIMATE COST OF THE PRICE INCREASE WILL BE, BUT ESTIMATES AS FAR AS CRUDE IS CONCERNED GENERALLY FALL IN THE DOLS 1.8 BILLION-DOLS 2 BILLION RANGE. HOWEVER, A GOOD DEAL OF DISSATISFACTION, PARTICULARLY ON

THE PART OF BUSINESS LEADERS, OVER THE SPECIFICS OF JAPAN'S ENERGY POLICY HAS BEGUN TO SURFACE, AND THE GOJ IS AGAIN REVIEWING (AND PERHAPS REVISING) ITS CURRENT "NEW" PLAN, WHICH IS LESS THAN TWO YEARS OLD. END SUMMARY.

2. MOST JAPANESE FORECASTS OF THE INCREASE IN THE OVERALL CRUDE OIL IMPORT BILL ASSUME THAT THE TWO-TIER PRICE SYSTEM WILL AVERAGE OUT AT ABOUT 7.5-8 PERCENT, AT LEAST FOR THE FIRST SIX MONTHS OF THIS YEAR. THIS WOULD COME TO ABOUT DOLS 1.8 BILLION IN 1977 FOR JAPAN, ALTHOUGH ONE MITI OFFICIAL GUESSED IT WOULD BE ABOUT DOLS 2 BILLION (JAPAN'S TOTAL OIL BILL IN 1975 WAS DOLS 20 BILLION). OF COURSE THE ACTUAL FIGURE WILL DEPEND ON HOW MUCH OF THE 5 PERCENT AND HOW MUCH OF THE 10 PERCENT OIL IS BROUGHT IN. JAPAN IS FORTUNATE IN THAT OVER HALF OF ITS OIL COMES FROM SAUDI ARABIA, UAE AND INDONESIA (AT 5.9, ALMOST A MEMBER OF THE 5 PERCENT GROUP). (IN 1976, SAUDI ARABIA SUPPLIED 30.7 PERCENT, UAE 11.4 PERCENT AND INDONESIA 12.3 PERCENT, FOR A TOTAL OF 54.4 PERCENT). WHILE THE OVERALL COST IS CONSIDERED MANAGEABLE, THE INEQUITIES WHICH WILL BE GENERATED BY THE DIFFERENTIALS IN THE MARKET ARE A MATTER OF SOME CONCERN HERE (PARTICULARLY, OF COURSE, BY THE COMPETITORS OF ARAMCO AFFILIATES), AND ONE BUSINESSMAN HAS SUGGESTED, RATHER UNREALISTICALLY IN THE OPINION OF A KNOWLEDGEABLE FOREIGN OFFICE OFFICIAL) THAT SOME AGENCY, PERHAPS THE JAPAN PETROLEUM DEVELOPMENT COMPANY, BE EMPOWERED TO SET UNIFORM PRICES. JPDC WAS ESTABLISHED TO HELP FINANCE OVERSEAS PROJECTS, BUT HAS LATELY GOTTEN INVOLVED IN DOMESTIC STORAGE AND OFFSHORE OPERATIONS, CONFIDENTIAL

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PAGE 03 TOKYO 01794 01 OF 02 080902Z

AND HAS BEEN MENTIONED AS THE NUCLEUS OF A JAPANESE "MAJOR", A LA ENI.

3. AMONG OTHER FACTORS COMPLICATING ATTEMPTS TO FORECAST ACTUAL PRICE IMPACTS ARE: THE DEGREE TO WHICH DIFFERENT REFINERY OUTPUTS ARE BIASED TOWARDS INDUSTRIAL RATHER THAN CONSUMER (GASOLINE AND KEROSENE) PRODUCTS; LEVEL OF DEBT SERVICE BURDEN, WHICH DIFFERS ACCORDING TO WHEN CONSTRUCTION FUNDS WERE BORROWED (ARAMCO AFFILATES ARE SAID TO ENJOY AN ADVANTAGE IN THESE TWO AREAS, ALSO STOCKS ON HAND; PERIODS DURING WHICH CONTRACTED OIL MUST BE LIFTED BY INTERNATIONAL SUPPLIERS; AND A NEWLY IMPOSED IMPORT TARIFF OF YEN 110 PER KILOLITER. ON TOP OF THIS WE HAVE HEARD THAT LOCAL CONTRACTS FOR PRODUCTS ARE BEING WRITTEN WITH PROVISIONAL PRICES. MOST GUESSES ARE THAT NO GOOD CONCLUSIONS ON PRICE EFFECTS WILL BE POSSIBLE BEFORE MARCH, WHEN THE HIGHER PRICED OIL (AS OPPOSED TO THAT STOCKED BEFORE DOHA) BEGINS SHOWING UP.

4. ON A MORE GENERAL ENERGY POLICY LEVEL, THE VALIDITY OF THE PROJECTIONS IN MITI'S OFFICIAL ENERGY POLICY ARE BEING INCREASINGLY QUESTIONED. THE MOST DIRECT CRITICISM WAS VOICED IN SEPARATE MEETINGS IN JANUARY BY TOP BUSINESS LEADERS WHO TOLD THE PRIME MINISTER, THE FOREIGN MINISTER AND THE MITI MINISTER THAT THE 1975 "NEW ENERGY POLICY" WAS INADEQUATE. THEIR POSITION WAS THAT THE POLICY IS NOT SPECIFIC AS TO MEASURES WHICH MUST BE TAKEN TO ATTAIN THE STATED OBJECTIVES. THEY POINTED OUT THAT UNLESS PROVISIONS ARE MADE FOR FUNDING, THE POLICY IS NO MORE THAN A PIECE OF PAPER. OTHERS HAVE CRITICIZED THE INDIVIDUAL GOALS FOR LNG (42 MILLION TONS IN 1985), AND NUCLEAR POWER (49 MILLION KILOWATTS) AS UNREALISTIC, AND THE GENERAL WARNING HAS BEEN MADE THAT PROJECTIONS OF INCREASED DEMAND FOR OIL (EVEN AT REDUCED GROWTH RATES RESULTING FROM EFFICIENCIES, CONSERVATISM, USE OF ALTERNATE SOURCES, ETC.) ARE INCOMPATIBLE WITH FORECASTS OF REDUCED SUPPLIES. THE 49 MILLION
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PAGE 04 TOKYO 01794 01 OF 02 080902Z

NUCLEAR KILOWATTS GOAL HAS, FOR WELL OVER A YEAR, BEEN RECOGNIZED AS UNATTAINABLE AND UNREALISTIC. RECENTLY SCIENCE AND TECHNOLOGY AGENCY MINISTER UNO RECOMMENDED TO THE DIET THAT THE NUMBER BE OFFICIALLY CHANGED TO 30 OR 32 MILLION KILOWATTS. IN THE UPPER HOUSE PLENARY SESSION ON FEBRUARY 4, PRIME MINISTER FUKUDA RECOGNIZED THE NEED TO REVIEW THAT GOAL. ALTHOUGH JAPAN IS BUSY IMPLEMENTING ITS POLICY OF ENSURING SUPPLIES BY DEVOTING GREATER ATTENTION TO ECONOMIC COOPERATION PROJECTS IN, AND TRADE WITH, OIL PRODUCERS, THE BUSINESSMEN MADE THE SOMEWHAT OMINOUS POINT, IN THE PAPER THEY PRESENTED TO THE PRIME MINISTER, THAT INCREASING DEMAND IN THE FACE

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PAGE 01 TOKYO 01794 02 OF 02 080912Z

ACTION EA-09

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05
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H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
/120 W

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R 080755Z FEB 77
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TO SECSTATE WASHDC 5316
INFO AMEMBASSY ABU DHABI
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AMEMBASSY CANBERRA
AMEMBASSY DHAHRAN
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AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TEHRAN
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USINT BAGHDAD
USEC BRUSSELS 2009

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 1794

DEPARTMENT PLEASE PASS ERDA FOR SIEVERING

OF DECLINING SUPPLIES COULD CAUSE IMPORTING NATIONS TO
SCRAMBLE WITH EACH OTHER FOR SCARCE SUPPLIES, UNLESS....

5. THE "UNLESS" ENCOMPASSES THE USUAL RANGE OF CONSERKVATION
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PAGE 02 TOKYO 01794 02 OF 02 080912Z

AND ALTERNATE ENERGIES MEASURES, TO WHICH THE BUSINESSMEN
ADDED SUGGESTIONS THAT AN ENERGY MINISTRY BE CREATED,
AND AN ENERGY AMBASSADOR BE APPOINTED. NONE OF THE
SUGGESTIONS ARE VERY SPECIFIC, HOWEVER, AS TO WHAT SHOULD
BE DONE ABOUT MODIFYING GOALS, OR ATTAINING THEM. MOST
OF THEM CONCLUDE THAT THE GOVERNMENT SHOULD DO SOMETHING,
ADDING, THOUGH, THAT IF GOVERNMENT POLICIES ARE SOUND,
THE BUSINESSMEN WILL SUPPORT THEM.

6. MITI HAS RESPONDED TO THE CRITICISM BY SETTING UP A
COMMITTEE TO REVIEW THE ENERGY PLAN AND COME UP WITH A
DRAFT REVISION OF ITS FIVE-YEAR FORECAST (1976-1981)
BY THE END OF THIS MARCH. IT WILL BE INTERESTING TO SEE
IF, AND IN WHAT RESPECT, THE NEW VERSION DIFFERS FROM
THE PRESENT POLICY. WE WILL, OF COURSE, REPORT ON ANY
CHANGES IN THAT POLICY ONCE THEY BECOME KNOWN. WE
RECALL, HOWEVER, THAT THE INITIAL REACTION AT THE WORKING
LEVEL AT MITI WAS TO DISMISS THE BUSINESS SUGGESTIONS
AS OF NO SIGNIFICANCE. IT IS POSSIBLE THAT THERE IS NO

REAL INTENTION THAT THE STUDY COMMITTEE BE MORE THAN A
SOP TO THE BUSINESSMEN.

7. THE EMBASSY IS SENDING TO THE DEPARTMENT (EA/J)
A COPY OF ITS TRANSLATION OF THE BRIEFING PAPER WHICH
MITI PREPARED FOR MINISTER TANAKA. (PLEASE TREAT THE
PAPER AS AN INTERNAL GOJ DOCUMENT.) ALTHOUGH IT IS
BASICALLY A SUMMARY OF THE "NEW ENERGY POLICY", IT IS,
FOR THE TIME BEING AT LEAST, THE MOST CURRENT AND
AUTHORITATIVE STATEMENT OF JAPAN'S ENERGY POLICY. WE
ARE ALSO SENDING A COPY OF THE RECOMMENDATIONS (JAPANESE
AND UNOFFICIAL TRANSLATION) PRESENTED TO THE PRIME
MINISTER ET AL BY THE BUSINESSMEN. SUMMARIZED VERSIONS
OF THE PAPER HAVE APPEARED IN VARIOUS TRADE JOURNALS
AND GENERAL NEWSPAPERS.

8. AS A RESULT OF THE RENEWED UNCERTAINTY ABOUT THE
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PAGE 03 TOKYO 01794 02 OF 02 080912Z

FUTURE OF JAPANESE ENERGY POLICY, GOJ PARTICIPANTS IN
FORUMS LIKE IEA ARE LIKELY TO DEMONSTRATE
EVEN MORE TIMIDITY THAN USUAL.
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Message Attributes

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Disposition Approved on Date:
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TAGS: ENRG, ETRD, JA
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Type: TE
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